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## Introduction to Income Inequality

Professor Sean Mulholland of Stonehill College introduces the Does Inequality Matter?: Exploring Poverty and Finding a Way Out mini-course.

## Welcome to Does Inequality Matter: Exploring Poverty and Finding a Way Out

Have you ever been concerned with income inequality? If so, this is the place for you. We've curated a list of fantastic videos from many perspectives to help you think about income inequality in a new way. Here's how it works:

1. Watch the introductory videos featuring Professor Sean Mullholland of Stonehill College.
2. Watch the supplementary videos linked below.
3. Answer multiple choice questions at the end of each section.
4. Consider what you've learned. Does inequality matter? What are the most effective ways to alleviate inequality?

<https://www.youtube.com/embed/ybB41r80rvE>

"Introduction to Income Inequality" by  
the Institute for Humane Studies

## Supplementary Videos

1. [How wealth inequality is dangerous for America](#): When people talk about inequality, they're often concerned with income inequality. This video argues why we should be concerned about income inequality and why we should be even more concerned by wealth inequality.
2. [What Wasn't Said in "Wealth Inequality In America"](#): Professor Steve Horwitz of St. Lawrence University argues that discussions of income inequality miss a central point: Are the poor in our society able to lift themselves out of poverty?

**Exercise:**

**Problem:** Which of the following statements is true?

- a. The rate of return on wealth is lower than the growth rate of the overall economy.
  - b. The top 1% of Americans takes home 40% of national income.
  - c. Income inequality is at its highest rate since the Great Depression.
  - d. The top 1% of Americans holds 20% of the national wealth.
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**Solution:**

- c. Income inequality is at its highest rate since the Great Depression.

**Exercise:**

**Problem:**

A key factor that some graphs of income inequality miss is income mobility over time. Why is this factor important?

- a. Income levels cannot be accurately measured at one time.
  - b. Income levels are dynamic and can shift greatly from one generation to the next.
  - c. It isn't. Income mobility does not change interpretation of any data.
  - d. Income levels fluctuate rapidly from one year to the next.
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**Solution:**

- b. Income levels are dynamic and can shift greatly from one generation to the next.

## Thinking of Income Mobility

Professor Sean Mulholland explains that we should not just look at levels of income inequality from year to year and that we should also examine income mobility.

<https://www.youtube.com/embed/GZ0vxSEkuyM>

## Fuzzy Snapshots

According to Professor Sean Mulholland of Stonehill College, statistics about income inequality provides only a fuzzy snapshot of the economy. In order get a full snapshot, Mulholland says, we also need to examine income mobility.

<https://www.youtube.com/embed/d32in2SuQIw>

"Mobility Intro" by the Institute for  
Humane Studies

## Description

According to Professor Sean Mulholland of Stonehill College, statistics about income inequality provides only a fuzzy snapshot of the economy. In order get a full snapshot, Mulholland says, we also need to examine income mobility.

## Supplementary Videos

1. [Is there Income Mobility in America?](#): Are the rich getting richer while the poor get poorer? Professor Sean Mulholland uses several statistical measures and finds that this common perception may not be accurate. A surface-level examination of statistics may indicate that the poor are getting poorer, but a more thorough study shows that there is more income mobility in the United States than many might think.

## Exercise:

### Problem:

From 1967 to 2009, the share of total income for the poorest Americans decreased. However,

- a. the share of total income was measured incorrectly in 1967.
- b. the actual amount of income increased.
- c. social programs made wealth unnecessary.
- d. the share of income for the wealthiest Americans also fell.

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**Solution:**

b. the actual amount of income increased.

Does It Matter?

According to Professor Sean Mulholland of Stonehill College, some economists are concerned by rising inequality, while others are not. Professor Mulholland introduces these differences in opinion.

<https://www.youtube.com/embed/mC9kwSLRyFo>

"Inequality Problem Into" by the Institute for  
Humane Studies

### Description

According to Professor Sean Mulholland of Stonehill College, some economists are concerned by rising inequality, while others are not. Professor Mulholland introduces these differences in opinion.

### Supplementary Videos

1. [Daron Acemoglu on Why Nations Fail](#): Professor Daron Acemoglu of MIT argues that institutions that promote equality are crucial to prosperity.
2. [Does U.S. Economic Inequality Have a Good Side?](#): Professor Richard Epstein of New York University argues that wealth inequality acts as a driving force for innovation.

### Exercise:

**Problem:** Extractive institutions

- a. are designed by the elite to take resources away from the general population.
- b. remove the influence of special interest groups from politics.
- c. redistribute wealth to the less wealthy.
- d. limit private property rights.

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**Solution:**

- a. are designed by the elite to take resources away from the general population.

**Exercise:**

**Problem:** According to Professor Epstein, higher marginal tax rates

- a. increase production and decrease wealth distribution.
- b. decrease production and have little effect on wealth distribution.
- c. have little effect on production and increase wealth distribution.
- d. decrease production and increase wealth distribution.

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**Solution:**

- b. decrease production and have little effect on wealth distribution.



Does It Matter? - More Thoughts

Professor Sean Mulholland of Stonehill College discusses whether and when he is concerned by economic inequality

<https://www.youtube.com/embed/Nu77dAP3ww8>

"Inequality Problem Conclusion" by the  
Institute for Humane Studies

### Description

Professor Sean Mulholland of Stonehill College discusses whether and when he is concerned by economic inequality

### Supplementary Videos

1. [Living in Poverty USA](#): This video describes what life at the poverty line looks like.
2. [Suburb in Wealthy Illinois County Sees Unexpected Rise in Poverty](#): A suburban neighborhood of one of the nation's wealthiest counties has experienced a surprising rise in the number of people living below the poverty line -- a trend that accelerated in suburbs across the country during the recession. Elizabeth Brackett of WTTW Chicago reports.

### Exercise:

#### Problem:

Which of these would be unhelpful in ending poverty in the long run?

- a. Job training
- b. Free childcare
- c. College Grants
- d. Subsidies

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#### Solution:

d. Subsidies

**Exercise:**

**Problem:**

Which of the following statements is true about funding for welfare programs?

- a. Government funding goes disproportionately to urban areas.
- b. Funding has dramatically reduced the number of people living below the poverty line in the wake of the 2008 financial crisis.
- c. Welfare recipients typically rely on local funding more than federal funding.
- d. Federal funding has proven more effective than state or local funding.

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**Solution:**

- a. Government funding goes disproportionately to urban areas.

We Can Help

<https://www.youtube.com/embed/PIxNX4RTbYE>

"Poverty Conclusion" by the Institute for  
Humane Studies

## Designing Policies

Professor Sean Mullholland introduces a few public policies that could help alleviate poverty.

<https://www.youtube.com/embed/YPGwtKPIDnc>

"Policies Intro" by the Institute for Humane Studies

## Description

Professor Sean Mullholland introduces a few public policies that could help alleviate poverty.

## Supplementary Videos

1. [World Poverty: Foreign Aid vs. Charity That Actually Works](#): Professor Matt Zwolinski of the University of San Diego discusses why foreign aid often fails to help poor people and proposes a better solution.
2. [Working More to Earn Less | Why the Poor Stay Poor](#): What if I told you that the government is keeping people poor in our welfare system by paying less when they work more? Professor Mulholland argues that this is happening every day. Well-intentioned welfare programs drastically decrease benefits at certain income thresholds—which in effect can make a breadwinner and his/her family worse off when they start earning more.
3. [Racial Inequality in the Criminal Justice System](#): Minorities are grossly overrepresented in U.S. prisons, and Professor Daniel D'Amico argues that the root of the problem may lie with the criminal justice system itself.
4. [What You Should Know About School Choice](#): Professor Angela Dills of Providence College explains how school choice would benefit low income and minority students.

## Exercise:

**Problem:**

Why is giving directly to the poor more effective than top-down foreign aid systems?

- a. Private charities giving directly to the poor are able to raise far more money.
  - b. Governments and NGOs often lack the local knowledge needed to provide aid effectively.
  - c. Voters are extremely hostile towards foreign aid programs.
  - d. Trick question! Foreign aid has been extremely effective at reducing poverty.
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**Solution:**

- b. Governments and NGOs often lack the local knowledge needed to provide aid effectively.

**Exercise:**

**Problem:** Perverse incentives created by a sudden cutoff of benefits

- a. offer rewards for working more.
  - b. make finding work more difficult.
  - c. offer rewards for working less.
  - d. compete with corporations.
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**Solution:**

- c. offer rewards for working less.

**Exercise:**

**Problem:** Why are minorities over represented in US prisons?

- a. Minorities are inherently more violent.

- b. Overt racism in the writing of anti-drug laws.
  - c. Police officers are incentivized to arrest minorities.
  - d. People with different levels of wealth face different costs and benefits to participating in the drug trade.
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**Solution:**

- d. People with different levels of wealth face different costs and benefits to participating in the drug trade.

**Exercise:**

**Problem:** Which of the following is NOT true about school choice?

- a. It raises the quality of schooling.
  - b. It lowers the cost of schooling.
  - c. Parents of students enrolled in a school choice system are more satisfied with the safety of their children in school.
  - d. It disproportionately helps high-income students.
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**Solution:**

- d. It disproportionately helps high-income students.

## Conclusion

Professor Sean Mullholland of Stonehill College explains which public policies he believes would best help alleviate income inequality.

<https://www.youtube.com/embed/OGcJCKXMsEg>

"Policies Conclusion" by the Institute for  
Humane Studies

## Description

Professor Sean Mullholland of Stonehill College explains which public policies he believes would best help alleviate income inequality.